

Social dialogue and Corporate Social Responsibility

Companies which conduct a sustainable development strategy through the concept of corporate social responsibility (CSR) are, currently, at a turning point:

- social, environmental and economic challenges must be managed in a different manner for each sector of activity. The identification of strategic and relevant challenges is not to be found in guidelines common to all companies and must be based on dialogue and confrontation with stakeholders.
- companies wishing to conduct a long-term sustainable development strategy must commit themselves with their stakeholders, in order to ensure the credibility and long-lasting nature of their approach.

For these two reasons, the commitment of a company with all its stakeholders is vital, in particular, its internal stakeholders: employees and their representatives, union organisations.

From among all the networks in Europe which work on ensuring the promotion of CSR in enterprises, ORSE is the only one which has unions and professional organisations with seats on its committees.

Owing to its history and its make up (with institutional representation of employee unions), it was ORSE's duty to take a look at the relationship between CSR approaches and social dialogue in companies.

ORSE wants to share this strong position of commitment between companies and their stakeholders on an international and European level:

- In March 2006, ORSE took the initiative in proposing a new reporting indicator to the GRI concerning international social dialogue (a proposal which, finally, was not chosen by the GRI).
- ORSE has committed itself to promoting international framework agreements (with a practical guide designed for HR teams and union activists) in which the CSR commitments of companies are formalised in the framework of negotiations with union representatives on an international level.
- ORSE has committed itself to carrying the issue of commitment with stakeholders within the framework of a network of European companies, CSR-Europe, and within the framework of the work carried out by the Multi-Stakeholder Forum set up by the European Commission.

The present report deals with the relationships with employee representatives and union organisations. The other forms of dialogue and listening with employees are not dealt with.

→ Presentation of the report

For over one year, a working group, combining sustainable development managers and HR managers from companies, union activists (from companies, federations and confederations), representatives from NGOs and SRI investor representatives, met at ORSE.

On the basis of interviews with CSR practitioners from companies and an analysis of the practices formalised by companies or union organisations, a report has been prepared under the responsibility of Jean-Pierre Segal, assisted by Christophe Teissier from the European University of Labour Studies.

In order to debate the relationship between the CSR approach and social dialogue, the working group tried to find answers to the following questions:

- Is the union player just another stakeholder (consumers, local communities, public authorities, environmental activists) or a specific player?
- What is the current opinion of both parties of CSR social dialogue, distinguishing between the following different practices: construction of indicators and social reporting, panels, social dialogue and signature of agreements?
- How are companies' international commitments, made in the framework of agreements drawn up with unions or NGOs, translated internally?

- What dialogue is used internally with regard to the translation of these commitments into real terms on a local level and their monitoring?
- How does unionism operate in a wider context, in particular when ensuring monitoring of companies' CSR commitments?
- How does the international and thematic extension of CSR related social dialogue modify its nature and methods?
- Can the ties which, on this occasion, are woven between the union players from a group's various bodies help the union player to be better informed, more efficient and more able to develop his or her strategy?
- Can internal social dialogue be fed into by questions from external stakeholders (NGOs, consumers, local players)?

Through the answers provided to these different questions, it would appear that:

- CSR is an opportunity to renew the content and practices of social dialogue
- social dialogue is an opportunity to ensure the sustainability of CSR, in order to make the company's approach credible and to commit all the employees to it.

→ CSR leads to a renewal of social dialogue

By introducing new themes, new players and new tools, the CSR approach helps to stimulate and renew social dialogue on a local level as much as on an international level.

1. In its content

The globalisation of enterprises and the emergence of new societal themes (discrimination, environment, corruption, the family/work relationship, public health issues related to obesity, stress and AIDS) have given rise to new subjects for discussion, and, even, of negotiation, between management and union teams within companies

• Within the enterprises

Extract from the report by the CFTD Metallurgy Federation

Corporate social (and environmental) responsibility involves the following process: making the corporation give priority to taking the external factors influencing society into consideration for its strategy and management. Thus, the corporation's economic and strategic calculation is modified in order to change the behaviour of the corporation.

• On a national level

With the national inter-professional agreement on enterprise diversity of November 2006. Extract from the presentation of reasons:

*"Fighting against discrimination by adhering to respect for legal effectiveness and committing to anti-discrimination, equal opportunity and treatment, and giving recognition to everyone's place in society, are tantamount to essential action for the strict respect of Human Rights.
As this is a problem of society, it involves all the public and private participants. Within each field of their responsibility, the signatory parties understand that they provide their effective contribution to this action under this agreement."*

• On a European and international level

Examples of themes negotiated within international framework agreements

Human Rights

"PSA Peugeot Citroën agrees to promote compliance with human rights in all countries in which the corporation is present, including in geographical areas where human rights are not yet sufficiently protected. PSA Peugeot Citroën agrees to work towards preventing situations of complicity or acts of collusion concerning fundamental human rights violations. The corporation considers this a part of its responsibility to society."

Environment

Risk management is a priority for Rhodia, whose guiding principle is the application of the best standards. Within the framework of its policies and procedures, Rhodia undertakes to develop : preventive measures with regard to known and identified risks, precautionary measures characterized by a proactive, forward-looking and intelligence-gathering approach to science and technology regarding the risks involved in the company's activities.

Relationship with customers

EDF. The signatories consider that access to electricity is a major factor in social and economic development and a key factor in the fight against poverty. Approximately 2 billion people (a third of humanity) do not have access to this necessary service and many more do not have access to a reliable source of electricity. EDF Group and its component companies take initiatives or support initiatives through partnerships in various countries, in particular in regions where they are based, to promote better access to electricity for communities. These initiatives take into account local contexts, in particular the requirements of regulatory authorities.

2. In the diversity of players involved

Companies which are committed to a CSR approach must review social dialogue methods:

By defining the different levels of dialogue within companies

CSR offers companies and union organisations the opportunity to define the different levels of dialogue on a local, national, European and international level as demonstrated by the following examples:

- Signature and monitoring procedures for PSA Peugeot Citroën's international framework agreement. After having been signed by the company and the FIOM (International Metalworkers' Federation) on a group level, the framework agreement was ratified by the different union organisations in each country (with sites employing more than 500 people), namely 3 signatories in 10 countries.
- Monitoring of the EADS group's CSR commitments in the framework of the European Works Council.

"In the countries in which EADS operates, trade union or works council representatives may inform central management... EADS central management shall take appropriate measures to eliminate any breach of the aforesaid principles, reporting on any measures taken to a plenary session of the European Works Council. The European Works Council may submit proposals for corrective measures to ensure compliance with this agreement to the management of EADS or the relevant Business Unit."

By establishing a link with external stakeholders (NGOs, etc.)

CSR helps to establish a link between employee representatives, internal stakeholders and external stakeholders (NGOs, consumer associations).

The International Metalworkers' Federation (FIOM) recommends to its members "that, if necessary, contacts must be made with NGOs, the support of which may prove to be useful for the application" of an international framework agreement.

3. In its tools

- Through the development of new forms of activism CSR generates new tools for evaluating the commitments of companies and the questions posed for internal stakeholders (unions) and external stakeholders (NGOs, shareholders).

- **Extra-financial rating of companies**

Some union confederations (CFDT in France, CISL in Italy, CSC in Belgium, CC.OO and UGT in Spain, OGB in Austria, UGT in Portugal, DGB in Germany) are shareholders in the leading corporate social and environmental rating agency - Vigeo Group.

- **Promotion of SRI**

In 2002, 4 employee unions (CGT, CFDT, CFE-CGC and CFTC) created an Inter-Union Committee on Employee Savings (CIES) to label saving funds on the basis of socially responsible criteria.

In 2006, the social partners (employers, unions) which manage AGIRC/ARRCO complementary pension funds decided, as an experiment, to invest part of their shares' assets on the basis of socially responsible criteria.

- **Initiative aimed at consumers**

Some unions, such as the CFDT, are involved in consumer groups, the mission of which is to monitor the social traceability of products (Collectif Ethique sur l'Etiquette).

- **Reporting**

Many union workers in companies or in national or international bodies (for example the GRI), are involved in monitoring companies' sustainable development reports. Every year, Alpha Etudes, in partnership with the CGT, publishes a critical review of the application of the social aspect of the NRE Law in France.

- **Labels**

The French government has created a gender equality label which aims to reward companies committed to an approach which promotes gender equality in the workplace. The label is awarded by a Commission which combines 5 union confederations.

The CFTC has added a "statut du travailleur" (worker status) label to 20 company agreements, which, in particular, offers innovative measures for securing and strengthening professional careers and the quality of employment and work.

➔ Social dialogue is enriched and strengthened by CSR approaches

Social dialogue offers companies the opportunity to ensure the sustainability of their CSR approach by making it credible to external stakeholders and by sharing it with all the members of staff.

1. By making the company's approach credible to external stakeholders

- **Formalisation of the company's CSR commitment**

In order for the company's CSR approach to be considered as credible, it must benefit from the commitment of its stakeholders. Faced with the many criticisms made by employee unions with regard to codes of conduct and ethical charters, a few international companies have formalised their commitments with international framework agreements concluded with an international union federation

By the end of 2006, 55 IFA had been signed between companies and IUFs, including the following French companies: Accor, Carrefour, Club Méditerranée, Danone, EDF, France Télécom, Lafarge, PSA Peugeot Citroën, Renault, Rhodia, etc.

By common consensus between its different members, in parallel, ORSE is publishing a "directory on company practices for negotiating an international framework agreement".

- **Construction of corporate social reporting**

According to the Law of 15 May 2001, all French companies listed on the stock market must include social and environmental information in their annual report. Within an international framework, companies are strongly encouraged to publish a CSR or sustainable development report. Guidelines such as the Global Reporting Initiative are there to provide them with support.

The limitations of these guidelines are as follows:

- too many indicators are proposed
- these are not always adapted to the company's sector of activity and its geographic location.

The abundance of indicators (making the information illegible to the reader, a technique of "carpet bombing") may find an alternative solution through the selection of "relevant" reporting indicators.

In order to ensure that monitoring indicators reflect the company's concerns and strategic challenges, consultation or negotiation with unions may favour the social reporting construction process.

Companies such as Danone, EDF and Rhodia have chosen a limited number of indicators in collaboration with an international union federation for the implementation of their international framework agreement.

1. Negotiated between workers and the company's management
2. Recognising all the basic works standards
3. Generally concerning suppliers
4. Unions play a role in its application
5. A strong basis for dialogue between unions and the management direction

Danone: "Within the increasingly international context of the Danone group, and due to its establishment in new territories, it seemed necessary to redefine the most significant social indicators together. These indicators, destined for the members of the CIC (Information and Advisory Committee) and the union organisations affiliated to the IUF, illustrate the willingness to measure progress in the key themes of the group's social policy. This information covers all the Danone group's activities. It is provided in a consolidated format for all the relevant levels (group; centres of activity, geographical areas or countries

Other companies have chosen to let union organisations have their own say in the framework of their sustainable development reports. This is the case for Lafarge, Carrefour, Axa, Sanofi-Aventis and Schneider-Electric (for their 2005 report).

The Group European Committee (GEC) has decided to follow the AXA Group in their steps towards sustainable development. The GEC is developing action at several levels:

- *Participating with the Group, explicitly, in its own line of conduct for sustainable development;*
- *Respecting the Group's responsibility for sustainable development in its own activity, its salaried employees, clients, suppliers, distributors, and its social and societal environment;*
- *Supplying appropriate information and training to the Group's employees, management and distributors;*
- *Defining the framework for assessing the impact of sustainable development on the corporations' actions.*

2. By committing all the employees and the stakeholders to a long term process

The sustainable development approach may only be long term if:

- *employees are involved in monitoring the company's commitments*
- *the rules of governance in companies are redefined:*

This involvement of employees may take the form of the locally negotiated organisation of the principles defined on the company's corporate level.

Extract from PSA Peugeot Citroën's framework agreement

"In each of the major countries local social observatories will be set up. These will be made up of human resources divisions and labour unions. The social observatories will monitor the application of the Global Framework Agreement on an annual basis using a common monitoring document to be created jointly by the parties to this agreement."

Extract from EDF's framework agreement

"In each Group company concerned, dialogue shall be initiated between the management and the employee representatives on the initiatives to be taken and the conditions for the implementation of the present Agreement, within a period of six months following its signature. These initiatives shall take into account the local economic, cultural, professional or regulatory characteristics and set out conditions for enforcement within a policy of ongoing improvement."

This may be expressed by the creation of varied information tools in order to inform all of the employees about the company's commitments.

The Lafarge Group will provide information concerning this agreement in written or verbal form in all countries where this agreement is applicable. All signatories are strongly committed to the most widespread dissemination possible of the content of this agreement throughout the Lafarge operations.

- on a corporate level

Among the rating criteria used by extra-financial rating agencies are those which concern corporate governance. For the CFDT Metallurgy Federation: "CSR helps to take another look at social dialogue, the conditions for collective negotiation and the representation of employees, as well as corporate governance, therefore, presence among decision-making authorities, the exercise of power and its control".

- on a local level

For a company, the act of formalising its CSR commitments with union organisations may allow it to obtain feedback about any difficulties involving its implementation. These problems may be denied by local management but, in the event of their being reported in the media, they could prove to be harmful to the company's reputation.

"All employees are responsible for complying with the law and with the company's commitments and rules of conduct. They may alert their supervisors to any violations and may also refer matters to the local representative of the Human Resources or Legal Department. Rhodia is committed to setting up a special mechanism that will allow employees to report their concerns in the event the usual means of communication are not functioning properly"